

**LINCOLN ROAD BUSINESS
IMPROVEMENT DISTRICT, INC.**

Financial Statements

September 30, 2019

(With Independent Auditor's Report Thereon)

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

September 30, 2019

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Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Lincoln Road Business Improvement District, Inc.:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the Lincoln Road Business Improvement District, Inc. (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting.

Sanson Kline Jasmine Landee & Hamarra, LLP

Miami, Florida
November 19, 2019

Management's Discussion and Analysis

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Management's Discussion and Analysis

September 30, 2019

Our discussion and analysis of the Lincoln Road Business Improvement District, Inc.'s (the "District's") financial performance provides a narrative overview of the District's financial activities for the period from October 1, 2018 through September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2019 resulting in a net position of \$424,226. The net position is composed of net investment in capital assets of \$7,658 and unrestricted net position of \$416,568.
- The key components of the District's net position and change in net position are reflected in the government-wide financial analysis section.
- As of September 30, 2019, the District's governmental funds reported an ending fund balance of \$404,342, which is unassigned and available for spending at the District's discretion.

Overview of Financial Statements

This discussion and analysis is intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the period from October 1, 2018 through September 30, 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general-government, management and other supplemental services not provided by the City of Miami Beach (promotion and special events) and provisions for depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category, governmental funds. There are no proprietary or fiduciary funds maintained by the District. The fund financial statements present information in more detail than the government-wide financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Management's Discussion and Analysis

September 30, 2019

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. Key components of the District's net position are reflected in the following table:

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Current assets	\$ 437,786	\$ 451,536
Capital assets, net	<u>7,658</u>	<u>5,691</u>
Total assets	<u>445,444</u>	<u>457,227</u>
Total liabilities	<u>21,218</u>	<u>30,617</u>
Net position:		
Net investment in capital assets	7,658	5,691
Unrestricted	<u>416,568</u>	<u>420,919</u>
Total net position	\$ <u>424,226</u>	\$ <u>426,610</u>

All of the District's net position relates to net investments in capital assets and unrestricted net position. The District's debt is composed of compensated absences. Trade accounts payable were liquidated early in the next fiscal year.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Management's Discussion and Analysis

September 30, 2019

Key elements of the change in net position are reflected in the following table:

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Revenues:		
Intergovernmental:		
Operating	\$ 160,000	\$ 160,000
General revenues:		
Assessments	1,424,736	1,425,849
Other	<u>7,919</u>	<u>220</u>
Total revenues	<u>1,432,655</u>	<u>1,426,069</u>
Expenses:		
General government	899,366	845,250
Programs and events	<u>695,673</u>	<u>722,339</u>
Total expenses	<u>1,595,039</u>	<u>1,567,589</u>
Change in net position	(2,384)	18,480
Net position, beginning of year	<u>426,610</u>	<u>408,130</u>
Net position, end of year	\$ <u>424,226</u>	\$ <u>426,610</u>

As noted above in the condensed statement of activities, the cost of all governmental activities for the period from October 1, 2018 through September 30, 2019 was \$1,595,039. The majority of the costs of the District's activities were paid by tax assessments. Approximately \$15,113 of assessments was due from property owners as of September 30, 2019.

General Budgeting Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirement of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Directors. Actual general fund expenditures exceeded expectations for the period from October 1, 2018 through September 30, 2019.

The majority of the variance between budgeted and actual general fund expenditures for the period from October 1, 2018 through September 30, 2019 is due to certain anticipated costs that were not incurred in the current fiscal year or vice versa.

Capital Assets

At September 30, 2019, the District's capital assets, less accumulated depreciation, for its governmental activities amount to \$7,658 and consist of furniture and equipment. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-Term Liabilities

As of September 30, 2019, the District had long-term liabilities consisting solely of compensated absences of \$2,887.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Management's Discussion and Analysis

September 30, 2019

Economic Factors and Other Events

The District had \$15,113 in delinquent assessments due from property owners as of September 30, 2019. Unpaid assessments by property owners are subject to having a lien placed on their property until such outstanding assessments are paid-in-full. As such, all assessments receivable are deemed fully collectible, and accordingly, no allowance for doubtful accounts has been established.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Lincoln Road Business Improvement District, Inc.'s management at 1620 Drexel Avenue, Suite 100, Miami Beach, Florida 33139.

Basic Financial Statements

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Statement of Net Position

September 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 408,409
Accounts receivable	29,377
Capital assets (net of accumulated depreciation):	
Furniture and equipment	<u>7,658</u>
Total assets	<u>445,444</u>
Liabilities	
Accounts payable and accrued expenses	18,331
Noncurrent liabilities:	
Due in more than one year:	
Compensated absences	<u>2,887</u>
Total liabilities	<u>21,218</u>
Net Position	
Net investment in capital assets	7,658
Unrestricted	<u>416,568</u>
Total net position	<u>\$ 424,226</u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT

Statement of Activities

For the Year Ended September 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Net Revenue (Expense) and Changes in Net Position</u>
Functions/Programs			
Governmental Activities:			
General government	\$ 899,366	\$ -	\$ (899,366)
Programs and events	<u>695,673</u>	<u>160,000</u>	<u>(535,673)</u>
Total governmental activities	<u>\$ 1,595,039</u>	<u>\$ 160,000</u>	<u>(1,435,039)</u>
General Revenues:			
Assessments			1,424,736
Other			<u>7,919</u>
Total general revenues			<u>1,432,655</u>
Change in net position			(2,384)
Net position - beginning of year			<u>426,610</u>
Net position - end of year			<u>\$ 424,226</u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Balance Sheet

Governmental Funds

September 30, 2019

	<u>General Fund</u>
Assets	
Cash	\$ 408,409
Accounts receivable	<u>29,377</u>
Total assets	<u><u>\$ 437,786</u></u>
Liabilities	
Accounts payable and accrued expenditures	<u>\$ 18,331</u>
Deferred inflows of resources	
Unavailable assessments revenue	<u>15,113</u>
Fund balances	
Unassigned	<u>404,342</u>
Total fund balances	<u>404,342</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 437,786</u></u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

September 30, 2019

Total fund balance - governmental funds	\$	404,342
Amounts reported for governmental activities in the statement of net position consist of:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		7,658
Assessments are reported as deferred inflows in the fund financial statements due to amounts being unavailable; under full accrual accounting they are reported as revenues		15,113
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		<u>(2,887)</u>
Total net position - governmental activities	\$	<u>424,226</u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year ended September 30, 2019

	<u>General Fund</u>
Revenues	
Assessments	\$ 1,453,480
Intergovernmental	160,000
Contributions	<u>7,919</u>
Total revenues	<u>1,621,399</u>
Expenditures	
Current:	
General government	899,600
Programs and events	<u>695,673</u>
Total expenditures	<u>1,595,273</u>
Net change in fund balance	26,126
Fund balance - beginning of the year	<u>378,216</u>
Fund balance - end of the year	<u><u>\$ 404,342</u></u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended September 30, 2019

Net change in fund balance - total governmental funds	\$ 26,126
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental funds reported capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
Expenditures for capital assets	2,240
Depreciation expense	(273)
Because some assessments will not be collected for several months after the fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds:	
Assessments	(28,744)
Items reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:	
Increase in compensated absences	<u>(1,733)</u>
Change in net position - governmental activities	<u>\$ (2,384)</u>

The accompanying notes are an integral part of the basic financial statements.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Basic Financial Statements

September 30, 2019

1. Organization and Reporting Entity

In April 2015 the City of Miami Beach, Florida (the City) approved Resolution No. 2015-28992, pursuant to Chapter 170, Florida Statutes, to establish the Lincoln Road Business Improvement District (the District), subject to the approval by a majority of the affected property owners. The District is bounded on the west by Alton Road; on the east by Washington Avenue; on the north by 17th Street; and the south by Lincoln Lane South. The District is supported by annual assessments paid by the affected property owners within the boundaries of the District, and are used for purchasing supplemental services beyond those provided by the City, including marketing, management, promotion, fund raising and other similar services. The assessments are collected by the City and remitted in their entirety to the District.

The Board of the District, which exercises policy control over the operations of the District, consists of eleven voting Directors and up to four ex-officio non-voting Directors.

2. Summary of Significant Accounting Policies

This summary of the District's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the financial activities of the District. *Governmental activities*, which generally are supported by fees, assessments and other revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities* and has only one governmental activity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues*, if any, include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The accounts of the District are reported as a general fund, which is a governmental fund. The general fund is the District's only fund and thus the District's only major fund. The governmental fund statements includes reconciliations, where applicable, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Basic Financial Statements

September 30, 2019

2. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Assessments and intergovernmental revenues associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period when available. All other revenue items are considered to be measurable only when cash is received by the District.

C. Accounts Receivable

Accounts receivable represent assessments that have not been collected, and are reported at original amount. Unpaid assessments by property owners are subject to having a lien placed on their property until such outstanding assessments are paid-in-full. As such, all assessments receivable are deemed fully collectible, and accordingly, no allowance for doubtful accounts has been established.

D. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation, unless donated by a related entity. Capital assets donated by a related entity are recorded at the net book value of the related entity at the time of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

E. Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits. Employees are paid for any unused accrued vacation time up to a maximum of 120 vacation hours upon termination of employment. Unused accrued sick leave is not paid upon termination of employment. A liability for unused accrued vacation is reported only on the government-wide financial statements at year-end.

F. Deferred Inflows of Resources

The statement of financial position reports a separate section of deferred inflows of resources which represents an acquisition of net position that applies to a future period and is not recognized an inflow of resources or revenue until that time. The District has one type of resource, which occurs under a modified accrual basis of accounting in this category, unavailable revenue, reported in the governmental fund balance sheet. The General fund reports unavailable revenue from assessments. These amounts are deferred and recognized as an inflow of revenue in the period that the amounts become available.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Basic Financial Statements

September 30, 2019

2. Summary of Significant Accounting Policies (continued)

G. Fund Balance / Net Position

Fund balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent, as follows:

- Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form, for example, prepaid assets or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board - the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the District Board removes the specified use by taking the same action that imposed the commitment.
- Assigned fund balance - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by the District's Executive Director based on the direction of the District Board.
- Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purpose within the general fund.

When both restricted and unrestricted amounts are available for use, it is the District's practice to use restricted resources first. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

Net position

The government-wide financial statements utilize a net position presentation. Net position can be categorized as net investment in capital assets, restricted, or unrestricted. The first category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the remaining net position that does not meet the previously listed criteria.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Basic Financial Statements

September 30, 2019

2. Summary of Significant Accounting Policies (continued)

I. Income Taxes

The District is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. As a result, no income tax provision or liability has been provided in the accompanying financial statements. As of September 30, 2019, the District does not believe it has any uncertain tax positions that would result in the District having a liability to a taxing authority. The District is subject to federal and state income tax examinations for the tax years 2015 through 2017. However, the District is not aware of any on-going examinations.

3. Deposits

At September 30, 2019, the carrying amount of the District's deposits total \$408,409 and the bank balance totals \$429,604.

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC), deposits are held in banking institutions approved by the State of Florida, State Treasurer to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all cash held by banks are fully collateralized or insured.

4. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2019 is as follows:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Capital assets, being depreciated:				
Furniture and equipment	\$ 7,627	2,240	-	9,867
Less accumulated depreciation for:				
Furniture and equipment	1,936	273	-	2,209
Total capital assets (net of accumulated depreciation)	\$ 5,691	1,967	-	7,658

During fiscal year 2019, depreciation expense in the amount of \$273 was charged to general government.

5. Long-Term Obligations

The changes in the long-term obligations for the year ended September 30, 2019 are summarized as follows:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019	Amount due within one year
Compensated absences	\$ 1,154	-	1,733	2,887	-

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Notes to Basic Financial Statements

September 30, 2019

6. Lease Commitment

The District leases office space under an operating lease agreement, expiring on December 16, 2021. Lease expenditures for the fiscal year ended September 30, 2019 totaled \$36,915, which is included in general government expenditures. Future minimum lease payments under the operating lease agreement are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2020	\$ 30,675
2021	31,595
2022	7,957

7. Risk Management

The District is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for the risks of loss to which it is exposed. Policy limits and deductibles are reviewed by management and established at amounts to provide reasonable protection from significant financial loss. There were no losses or claims incurred during the current fiscal year, and there were no settlements that exceeded insurance coverage during the past three fiscal years.

8. New Pronouncements Issued

The following new pronouncements became effective during the fiscal year ended September 30, 2019 and were adopted by the District. However, management determined that such pronouncements did not have an effect on the District's financial reporting:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Placements*

9. Subsequent Events

The District evaluated subsequent events through November 19, 2019, the date the financial statements were available to be issued.

Required Supplementary Information

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Budgetary Comparison Schedule - General Fund
(Required Supplementary Information - Unaudited)

For the year ended September 30, 2019

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance - positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 1,425,237	\$ 1,425,237	\$ 1,453,480	\$ 28,243
Intergovernmental	160,000	160,000	160,000	-
Contributions	-	-	7,919	7,919
Total revenues	<u>1,585,237</u>	<u>1,585,237</u>	<u>1,621,399</u>	<u>36,162</u>
Expenditures				
General government	973,381	973,381	899,600	73,781
Programs and events	<u>611,856</u>	<u>611,856</u>	<u>695,673</u>	<u>(83,817)</u>
Total expenditures	<u>1,585,237</u>	<u>1,585,237</u>	<u>1,595,273</u>	<u>(10,036)</u>
Excess of revenues over expenditures / net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	26,126	<u>\$ 26,126</u>
Fund balance - beginning of the year			<u>378,216</u>	
Fund balance - end of the year			<u>\$ 404,342</u>	

The note to the required supplementary information is an integral part of this schedule.

LINCOLN ROAD BUSINESS IMPROVEMENT DISTRICT, INC.

Note to Required Supplementary Information

September 30, 2019

1. Budgetary Policy

The District is required to establish a budgetary system and an approved annual budget for the General Fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. In accordance with generally accepted accounting principles, budgetary comparison information is disclosed only for the General Fund.

The budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board.

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

2. Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2019, total expenditures exceeded total appropriations in the General Fund by \$10,036.

Other Reports



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

The Board of Directors
Lincoln Road Business Improvement District, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Lincoln Road Business Improvement District, Inc. (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sanson Kline Jacomino Landee & Hamarra, LLP

Miami, Florida
November 19, 2019



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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Board of Directors
Lincoln Road Business Improvement District, Inc.:

Report on the Financial Statements

We have audited the financial statements of the Lincoln Road Business Improvement District, Inc. (the District), as of and for the fiscal year ended September 30, 2019, and have issued our report dated November 19, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Report

We have issued our Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated November 19, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address the finding and recommendation that was reported in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosures are made in note 1 to the District's financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2019. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Florida Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Board of Directors and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson Kline Jacqueline Landes & Hamarra, LLP

Miami, Florida
November 19, 2019